



Morrow County Hospital and Affiliates

Combined Financial and Compliance Report
with Supplementary Information

December 31, 2021 and 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Morrow County Hospital and Affiliates
651 West Marion Road
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditors' Report* of the Morrow County Hospital and Affiliates, Morrow County, prepared by Baker Tilly Virchow Krause, LLP, for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morrow County Hospital and Affiliates is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2022

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Independent Auditors' Report

Board of Trustees
Morrow County Hospital and Affiliates
Mt. Gilead, Ohio

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of Morrow County Hospital and Affiliates, Morrow County, Ohio, a business-type activity of Morrow County, Ohio (Hospital), as of and for the years ended December 31, 2021 and 2020, and the related notes to the combined financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Morrow County Hospital and Affiliates, Morrow County, Ohio, as of December 31, 2021 and 2020, and the respective changes in financial position, and where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Charleston, West Virginia
June 29, 2022

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Morrow County Hospital, located in Mount Gilead, Ohio, is a county-owned, tax-exempt entity that operates an acute-care hospital facility providing quality, emergency, inpatient, outpatient, and swing bed services to residents of Morrow County and surrounding areas. The reporting entity (the "Hospital") is comprised of Morrow County Hospital and Morrow County Hospital Foundation, which provides services exclusively for the benefit of Morrow County Hospital. The Hospital is reported as an enterprise fund of Morrow County, Ohio. Morrow County Hospital is operated under Section 339 of the Ohio Revised Code.

This section of the Hospital's annual financial report presents management's discussion and analysis of the Hospital's financial performance and provides an overall review of the Hospital's financial position and activities as of and for the year ended December 31, 2021. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this management's discussion and analysis are the responsibility of the Hospital's management.

Financial Highlights

- Combined results ended the year with an operating income of \$8,563,898 compared to an operating loss of \$(4,273,379) in 2020.
- The Combined Net Position increased by \$14,658,652 compared to a Combined Net Position increase in 2020 of \$1,946,837
- The Combined Operating Revenues increased by \$6,322,274 or 38%, compared to 2020.
- The Combined Operating Expenses decreased \$6,515,003 or 31% compared to 2020.
- Non-operating revenue decreased by \$125,462 or 2% compared to 2020.

The reasons for these outcomes are stated below:

Combined Results

- Receipt of \$698,599 in Provider Relief Funds from State and Federal governments in 2021 compared to \$4,200,633 in 2020
- Paycheck Protection Program Loan forgiveness of \$3,824,836 in 2021

Operating Revenue

- Increased utilization of inpatient, and emergency services
- Increased overall volumes due to COVID restrictions lifted

Operating Expenses

- Streamlining operational structure resulting in reduction of labor expenses
- Significant gains recognized in employee benefits and payroll taxes expense for actuarial changes associated with other post-retirement benefits and pension liability.

Overview of the Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, as amended by GASB Statement No. 63, GASB Statement 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27, and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

The balance sheet, statement of revenues, expenses, and changes in net position (deficit), and statement of cash flows provide an indication of the Hospital's financial health. The balance sheet includes the Hospital's assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting as well as an indication about which assets can be utilized for general purposes, and which are restricted for other purposes. The statement of revenues, expenses, and changes in net position reports the revenues and expenses during the time periods indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

sources, such as investment income, and cash payments for repayment of debt and capital asset acquisitions.

The Combined Balance Sheet and Statement of Operations and Changes in Net Position

The analysis of the Hospital's finances begins below. One of the most important questions asked about the Organization's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Combined Balance Sheet and Statement of Operations and Changes in Net Position (Deficit) report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and related changes. You can think of the Hospital's net position (deficit) – the difference between assets and liabilities – as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position (deficit) are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Combined Statement of Cash Flows

The final required statement is the Consolidated Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital related financing and capital and related financing, activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Financial Analysis of the Hospital at December 31, 2021 and 2020

Total assets increased 29.7% to \$29.9 million, and total liabilities decreased 38.8% to \$15.1 million. The Hospital's total net position (deficit) increased by \$14.7 million to \$7.4 million, a significant increase from a year ago as shown in the following table:

	2021	2020
Assets		
Current assets	\$ 20,672,165	\$ 14,179,613
Noncurrent assets, excluding capital assets	4,032,640	3,289,396
Capital assets, net	<u>5,227,353</u>	5,602,642
Total assets	<u>29,932,158</u>	23,071,650
Deferred Outflows	<u>1,346,323</u>	2,412,829
Total assets and deferred outflows	<u>\$ 31,278,481</u>	\$ 25,484,479
Liabilities		
Current liabilities	\$ 8,638,502	\$ 8,512,982
Noncurrent liabilities	<u>6,410,751</u>	16,057,955
Total liabilities	<u>15,049,253</u>	24,570,937
Deferred Inflows	8,880,364	8,223,330
Net Position (Deficit)		
Net invested in capital assets	5,227,353	5,602,641
Unrestricted	<u>2,121,511</u>	<u>(12,912,429)</u>
Total net position (deficit)	<u>7,348,864</u>	<u>(7,309,788)</u>
Total liabilities and net position (deficit)	<u>\$ 31,278,481</u>	<u>\$ 25,484,479</u>

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The net pension liability (NPL) is the largest single liability reported by the Hospital at December 31, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27." For fiscal year 2018, the Hospital adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Hospital's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Hospital's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Hospital is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Hospital's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Hospital is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Current Assets

Total current assets increased by \$6,492,552 from the previous year. Accounts Receivable increased by \$1,087,661, while cash increased by \$5,157,938, due to Provider Relief Funds, Paycheck Protection Program, and federal and state assistance due to COVID-19.

Noncurrent Assets, Excluding Capital Assets

Noncurrent assets, consisting of limited use investments, general long-term investments, net OPEB asset, and net pension assets increased by \$743,244, or 29.7%.

Capital Assets, net

Property and equipment decreased by \$375,288 or 6.7% in 2021 compared to 2020. The decrease was due to net additions and retirements of \$771,609 offset by depreciation expense of \$1,146,897.

Current Liabilities

Current liabilities increased \$125,520 over the prior year. The Hospital had an increase of \$1,663,532 to the third-party settlement liability, and an increase of \$453,764 in accounts payable. The increase was offset by the decrease in current portion of long-term debt of \$1,968,222 associated with the forgiveness of the Paycheck Protection Program loan.

Long-term Liabilities

Long-term liabilities decreased by \$9,647,204 or 60.1%, primarily due a decreases in the net pension and net OPEB liabilities. Additional details regarding the pension plan and OPEB can be found in Note 9 and 10, respectively, of the financial statements.

Net Position (Deficit)

Total net position (deficit) increased by \$14,658,652 primarily due to operating income of \$8,563,898 and non-operating income of \$6,094,754 in current year.

Operating Results and Changes in the Hospital's Net Position (Deficit)

Table 2 shows two years of revenues and expenses for 2021 and 2020.

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2: Operating Results and Changes in Net Position

	2021	2020
Revenues:		
Net patient service revenue	\$ 22,125,196	\$ 16,016,371
Other	803,133	589,684
Total operating revenues	22,928,329	16,606,055
Expenses:		
Salaries and benefits	1,056,027	8,604,757
Operating supplies and expenses	3,871,193	3,018,927
Purchased services	6,986,662	6,821,131
Insurance	176,843	167,074
Utilities	495,801	477,694
Rental	631,008	636,838
Depreciation and amortization	1,146,897	1,153,013
Total operating expenses	14,364,431	20,879,434
Operating income (loss)	8,563,898	(4,273,379)
Non-operating revenue and (expenses)		
Investment income	17,913	40,656
Contributions	21,724	966
Property taxes	1,360,340	1,326,559
Intergovernmental revenue	171,342	254,422
Paycheck Protection Program Loan forgiveness	3,824,836	-
Other gain	698,599	4,610,447
Interest expense	-	(12,834)
Total non-operating revenue	6,094,754	6,220,216
Increase in net position	14,658,652	1,946,837
Net position (deficit), beginning of year	(7,309,788)	(9,256,625)
Net position (deficit), end of year	\$ 7,348,864	\$ (7,309,788)

Operating Revenue

Operating revenue include all transactions that result in the sales and/or receipts from goods and services such as inpatient services and outpatient services. Operating revenue changes were a result of the following factors:

Net patient service revenue increased \$6,108,825, or 38.1%, from 2020. Gross patient revenue increased by \$12,011,899 or 32.0%. The Hospital board of trustees approved a 3.0% rate increase effective January 1, 2021. Gross patient revenue is reduced by contractual allowances and discounts. Contractual allowances and discounts are the amounts that are not paid to the Hospital under contractual arrangements with Medicare, Medicaid, and other payors. Contractual allowances and discounts is at approximately 50.5% of gross revenue.

Other operating revenue increased approximately \$313,449 mainly due to revenue from the Hospital Additional Payment (HCAP) program during the current year.

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The operating expense changes were the result of the following factors:

- Salaries and benefits decreased by \$7,548,730 or 87.7% due to the gains from changes in OPEB and pension liabilities.

GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68 and GASB 75, pension and OPEB expense represents additional amounts earned, adjusted by deferred inflow/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68 and GASB 75, the statements report pension and OPEB expense above the contractually required contributions. Expense recorded under GASB 68 and 75 decreased approximately \$7,858,000 compared to the contractually required contribution.

The following is a summary of 2021 operating expenses by type:

	Percentage	Amount
Operating Expenses		
Salaries and benefits	7.4%	\$ 1,056,027
Purchased services	48.6%	6,986,662
Operating supplies and expenses	26.9%	3,871,193
Depreciation and amortization	8.0%	1,146,897
Rental	4.4%	631,008
Utilities	3.5%	495,801
Insurance	1.2%	176,843
	<u>100.0%</u>	<u>\$ 14,364,431</u>

Non-operating Revenue (Expenses)

Non-operating revenues and expenses are all sources and uses that are primarily non-exchange in nature. At the Hospital, these typically consist primarily of investment income, contributions, property tax levy funds, intergovernmental revenue, and interest expense. Non-operating revenue decreased by \$125,462 in 2021 compared to 2020 due to Levy fund being lower than prior year.

Cash Flows

The statement of cash flows provides relevant information about the entity's cash receipts and cash payments. The statement of cash flows also helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

Net cash provided by operating activities increased \$4,582,957 from the prior year due to an increase of \$5,927,080 in cash received from patients and third-party payors and an increase in other receipts from operations of \$213,449. Offset by an increase of \$656,554 in cash payments to employees for services third-party payors and an increase in cash payments to supplier for services and goods of \$901,018.

MORROW COUNTY HOSPITAL AND AFFILIATES

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Net cash provided by capital and related financing activities decreased by \$235,528 from the prior year primarily due to an increase in capital asset acquisitions.

Net cash provided by investing activities increased by \$56,097, and net cash provided by non-capital financing activities decreased by \$3,940,389. Decrease in non-capital activities is due to a decrease in federal and state government grants.

Economic Factors and Next Year's Budget

The board of trustees approved the Morrow County Hospital 2022 operating budget in October 2021. The budget calls for gross revenue of \$48.3 million, total operating expenses of \$22.1 million, and revenue over expense of \$1,546,557. The board of trustees approved an average increase of 3.00% in the patient charge structure for the upcoming fiscal year.

There are several factors and uncertainties that may affect the Hospital during 2022 and future years including:

- The economic position of the Hospital is influenced by the local economy. Compared to other Ohio counties, Morrow County has average unemployment, higher than average home values, and average per capita income. While job growth in Morrow County is positive, the majority of Morrow County's population continues to seek employment outside the county. In many cases, patient flow has shifted closer to employment locations, updated care facilities, and more comprehensive sites of care.
- The pandemic of 2020 has made healthcare systems look differently at the way they provide services. From telemedicine, hospitals cancelling non-essential procedures, to making changes to protect patients as well as associates from the virus.
- In 2012, the Governmental Accounting Standards Board passed standards 67 and 68, which require Ohio public employers to recognize on their financial statements their share of the net pension liability of Ohio's public retirement systems. For the Hospital, these standards became effective December 31, 2015. While the standard does not impact the Hospital's funding requirement, the reporting requirement may impact the hospital's ability to issue and secure new debt.
- In 2015, the Governmental Accounting Standards Board passed standards 75, which require Ohio public employers to recognize on their financial statements their share of the other post-employment benefits liability of Ohio's public retirement systems. For the Hospital, this standard became effective December 31, 2019. While the standard does not impact the Hospital's funding requirement, the reporting requirement may impact the hospital's ability to issue and secure new debt.

Contacting the Organization's Financial Management

This financial report is intended to provide the people of Morrow County, state and federal governments, and our debt holders with a general overview of the Hospital's finances. In addition, this report discloses the uses of the money received from services provided and county property taxes.

MORROW COUNTY HOSPITAL AND AFFILIATES

COMBINED BALANCE SHEETS

December 31, 2021 and 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2021	2020
Current Assets		
Cash and cash equivalents (Note 4)	\$ 15,700,450	\$ 10,542,512
Patient accounts receivable, net (Note 3)	2,548,359	1,460,698
Levied taxes receivable	1,531,681	1,497,424
Prepaid expenses and other	542,803	299,341
Inventory	348,872	379,638
Total current assets	20,672,165	14,179,613
Noncurrent Assets		
Assets limited as to use (Note 4)	2,967,051	3,025,107
Investments (Note 4)	175,680	175,645
Net OPEB asset (Note 10)	756,085	-
Net pension asset (Note 9)	133,824	88,644
Capital assets, net (Note 5)	5,227,353	5,602,641
Total noncurrent assets	9,259,993	8,892,037
Total assets	29,932,158	23,071,650
Deferred Outflows of Resources		
OPEB	371,700	1,030,356
Pension	974,623	1,382,473
Total deferred outflows	1,346,323	2,412,829
Total assets and deferred outflows	\$ 31,278,481	\$ 25,484,479
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)		
Current Liabilities		
Current Portion of long-term debt (Note 7)	\$ -	\$ 1,968,222
Accounts payable	2,311,933	1,858,169
Estimated third-party payor settlements (Note 6)	5,549,089	3,885,557
Accrued compensation and other liabilities	270,445	285,602
Compensated absences	507,035	515,432
Total current liabilities	8,638,502	8,512,982
Long-Term Liabilities		
Net OPEB liability (Note 10)	-	6,508,220
Net pension liability (Note 9)	6,410,751	9,549,735
Total long-term liabilities	6,410,751	16,057,955
Total liabilities	15,049,253	24,570,937
Deferred Inflows of Resources		
Property taxes levied for next fiscal year	1,531,681	1,497,424
Third party revenues not available	17,342	-
OPEB	3,152,449	2,225,081
Pension	4,178,892	4,500,825
Total deferred inflow of resources	8,880,364	8,223,330
Total liabilities and deferred inflows	23,929,617	32,794,267
Net Position (Deficit)		
Net investment in capital assets	5,227,353	5,602,641
Unrestricted	2,121,511	(12,912,429)
Total net position (deficit)	7,348,864	(7,309,788)
Total liabilities, deferred inflows of resources, and net position	\$ 31,278,481	\$ 25,484,479

See Notes to Combined Financial Statements

MORROW COUNTY HOSPITAL AND AFFILIATES

**COMBINED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)
Years Ended December 31, 2021 and 2020**

	2021	2020
Operating Revenue		
Net patient service revenue, net of provision for bad debts of \$2,420,507 in 2021 and \$1,817,622 in 2020	\$ 22,125,196	\$ 16,016,371
Other revenue	803,133	589,684
Total operating revenue	22,928,329	16,606,055
Operating Expenses		
Salaries and wages	6,643,000	6,248,869
Employee benefits and payroll taxes	(5,586,973)	2,355,888
Operating supplies and expenses	3,871,193	3,018,927
Purchased services	6,986,662	6,821,131
Insurance	176,843	167,074
Utilities	495,801	477,694
Rental	631,008	636,838
Depreciation and amortization	1,146,897	1,153,013
Total operating expenses	14,364,431	20,879,434
Operating income (loss)	8,563,898	(4,273,379)
Non-Operating Revenue (Expenses)		
Investment income	17,913	40,656
Contributions	21,724	966
Other gains	698,599	4,610,447
Property taxes	1,360,340	1,326,559
Intergovernmental revenue	171,342	254,422
Paycheck Protection Program Loan forgiveness	3,824,836	-
Interest expense	-	(12,834)
Total net non-operating revenue	6,094,754	6,220,216
Increase in Net Position	14,658,652	1,946,837
Net Position (Deficit), Beginning of Year	(7,309,788)	(9,256,625)
Net Position (Deficit), End of Year	\$ 7,348,864	\$ (7,309,788)

See Notes to Combined Financial Statements

MORROW COUNTY HOSPITAL AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 22,701,067	\$ 16,773,987
Cash paid to vendors for goods and services	(11,903,097)	(11,002,079)
Cash payments to employees for wages and benefits	(9,856,109)	(9,199,555)
Other receipts, net	803,133	589,684
Net cash provided by (used in) operating activities	1,744,994	(2,837,963)
Cash Flows from Capital and Related Financing Activities		
Acquisitions and construction of capital assets - net	(771,609)	(634,855)
Proceeds from paycheck protection program	1,856,614	1,968,222
Interest paid on capital related debt and capital leases	-	(12,834)
Net cash provided by (used in) capital and related financing activities	1,085,005	1,320,533
Cash Flows from Investing Activities		
Interest in investments	17,913	40,656
Proceeds from sale of investments and assets limited as to use	59,462	-
Purchase of investments	-	(19,378)
Net cash provided by investing activities	77,375	21,278
Cash Flow from Noncapital Financing Activities		
Contribution	21,724	966
Other non-operating	698,599	4,610,447
Property tax levy/intergovernmental revenue	1,531,682	1,580,981
Net cash provided by noncapital financing activities	2,252,005	6,192,394
Net increase in cash and cash equivalents	5,159,379	4,696,242
Cash and Cash Equivalents, Beginning of Year	12,884,572	8,188,330
Cash and Cash Equivalents, End of Year	\$ 18,043,951	\$ 12,884,572
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Cash and cash equivalents in current assets	\$ 15,700,450	\$ 10,542,512
Cash and cash equivalents in investments	175,680	175,645
Cash and cash equivalents in assets limited as to use	2,167,821	2,166,414
Total cash and cash equivalents	\$ 18,043,951	\$ 12,884,571

See Notes to Combined Financial Statements

MORROW COUNTY HOSPITAL AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2021 and 2020

A reconciliation of operating loss to net cash from operating activities is as follows:

	2021	2020
Reconciliation of Operating Loss to Net Cash Provided By		
(Used In) Operating Activities		
Operating income/(loss)	\$ 8,563,898	\$ (4,273,379)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,146,897	1,153,013
Provision for bad debts	2,420,507	1,817,622
(Increase) decrease in assets:		
Patient accounts receivable	(3,508,168)	(1,758,277)
Prepaid expenses and other	(243,462)	(24,275)
Inventories	30,766	40,384
Other current assets and deferred outflows	265,241	2,944,731
Increase (decrease) in liabilities:		
Accounts payable	453,764	103,476
Accrued expenses and deferred inflows	599,223	4,972,944
Third-party settlement	1,663,532	698,271
Net pension liability	(6,508,220)	(7,181,028)
Net OPEB liability	(3,138,984)	(1,331,445)
Net cash provided by (used in) operating activities	\$ 1,744,144	\$ (2,837,963)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING CAPITAL AND NON-CAPITAL FINANCING ACTIVITIES		
Paycheck Protection Program Loan forgiveness	<u>\$ 3,824,836</u>	<u>\$ -</u>

See Notes to Combined Financial Statements

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity: The accompanying combined financial statements include the accounts of Morrow County Hospital, Morrow County Hospital Health Services and Morrow County Hospital Foundation (collectively, the "Hospital").

Morrow County Hospital is an acute care facility owned by, and is a part of, Morrow County, Ohio and operated by a board of trustees. Members of the board of trustees are appointed by the County Commissioners, the Probate Court Judge and the Common Pleas Judge. The Hospital is a political subdivision of the State of Ohio and is therefore exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Hospital was formed under the provisions of the Ohio Revised Code.

During 1997, the Hospital formed Morrow County Hospital Foundation (the "Foundation"). The purpose of the Foundation is to support the Hospital and community programs to improve the health and well-being of the people served by the Hospital. The Foundation is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Total assets and net position of the Foundation for years ended December 31, 2021 and 2020 are \$2,368,123 and \$2,324,631, respectively, with assets consisting primarily of cash and cash equivalents and investments. Increase in Net Position of the Foundation for the years ended December 31, 2021 and 2020, was \$43,492 and \$52,912, respectively. The basic financial statements do not provide separate columns to reflect the Foundation because such amounts are not significant compared to the total amounts reflected for the Hospital. Refer to Note 16 for combining financial statements.

In 2011, the Hospital recognized the need to employ physicians and mid-level providers to stabilize the physician community and started Morrow County Hospital Health Services. The purpose of Morrow County Hospital Health Services was to employ key physicians and mid-level providers to supply health services to the surrounding community. On June 10, 2019, the Hospital sold the assets of Morrow County Hospital Health Services to an affiliated entity and concluded operations.

Blended component unit: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, including sections amended/superseded by GASB Statement No. 62, codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provide a comprehensive look at the Hospital's financial activities. The Foundation is required to be reported in the Hospital's combined financial statements.

Enterprise fund accounting: The Hospital uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Fund Accounting, as superseded by GASB Statement No. 62, codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements.

Use of estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

The most significant of the Hospital's accounting policies are described below.

Cash and cash equivalents: Cash and cash equivalents include cash and investments in highly liquid investments purchased with an original maturity of three months or less.

Investments: Investments include certificates of deposit and government securities and are recorded at fair value in the balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in nonoperating revenue when earned.

Patient accounts receivable: Accounts receivable from patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Hospital's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Inventories: Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis or market, whichever is lower.

Assets limited as to use: Investments set aside for board-designated purposes for future capital improvements (funded depreciation), or for debt service, and are considered to be noncurrent assets limited as to use.

Investments: Investments include demand deposits, money market accounts, certificates of deposit, and government securities and are recorded at fair value in the combined balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in non-operating revenue when earned.

Capital assets: Capital assets are reported at historical cost. Contributed capital assets are recorded at their acquisition value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation over the expected useful lives of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the accompanying combined statements of revenue, expenses and changes in net position. Costs of maintenance and repairs are charged to expense when incurred.

Compensated absences: Paid time-off is charged to operations when earned. Unused and earned benefits are recorded as a liability in the financial statements. Employees accumulate vacation days and sick leave benefits at varying rates depending on years of service. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments equal to one-fourth of the accumulated balance, up to a maximum of 240 hours, calculated at the employee's base pay rate as of the retirement date.

Pensions/Other Postemployment Benefits (OPEB): Substantially all of the Hospital's employees are eligible to participate in a defined benefit pension plan sponsored by the Ohio Public Employees' Retirement System (OPERS). The Hospital funds pension costs based on contribution rates determined by OPERS. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Grants and contributions: The Hospital reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports the expiration of donor restrictions when the assets are placed in service.

Net position (deficit): Net position (deficit) of the Hospital is classified in two components. Net investment in capital assets consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position (deficit) is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Risk management: The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this coverage in any of the three preceding years.

Net patient service revenue and patient accounts receivable: Normal billing rates for patient services less contractual adjustments and provisions for bad debts are included in net patient service revenue. Patient accounts receivable is adjusted for contractual allowances which are recorded on the basis of preliminary estimates of the amounts to be received from third-party payors. Final adjustments are recorded in the period such amounts are finally determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 40% percent and 7% percent, respectively, of the Hospital's net patient revenue for the year ended December 31, 2021. Revenue from the Medicare and Medicaid programs accounted for approximately 39% percent and 6% percent, respectively, of the Hospital's net patient revenue for the year ended December 31, 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Charity care: The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The amount of charity care not recorded as revenue was approximately \$575,000 and \$700,000 in 2021 and 2020, respectively. The cost of caring for charity care patient for the years ended December 31, 2021 and 2020, was approximately \$266,000 and \$388,000, respectively. The Hospital participates in the Hospital Care Assurance Program (HCAP) which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. The net amount received through this program totaled approximately \$1,134,000 and \$1,096,000 in 2021 and 2020, respectively. This amount is reported as net patient service revenue on the combined statements of revenues, expenses, and changes in net position (deficit).

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Property Taxes - The Hospital has received financial support from property taxes in the years ended December 31, 2021 and 2020. Total funds received and used to support operations, including intergovernmental revenue, consisting of homestead and rollback, were \$1,531,682 and \$1,580,981 for the years ended December 31, 2021 and 2020. Property taxes are levied by the County on the Hospital's behalf on January 1 and are intended to finance the Hospital's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. The property tax calendar includes these dates:

Levy date	January 1
Lien date	January 1
Tax bill mailed	January 21
First installment payment due	February 16
Second installment payment due	July 13

Property taxes are considered delinquent on the day following each payment due date. In November 2021, the property tax levy was added to ballot and was approved for a renewal period of 5 years.

Operating revenues and expenses: The Hospital's combined statement of revenue, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Non-exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Subsequent events: The Hospital has evaluated subsequent events through June 29, 2022, the date on which the consolidated financial statements were available to be issued.

New or recent accounting statements:

GASB No. 87, *Leases*, issued June 2017, relates to improving accounting and financial reporting for leases by governments. The new guidance increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. The new standard is effective for financial statements for periods beginning after June 15, 2021. The Hospital is currently evaluating the impact that adoption will have on its December 31, 2022 combined financial statements.

GASB No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases*. It defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The new standard is effective for financial statements for periods beginning after June 15, 2022. The Hospital is currently evaluating the impact that adoption will have on its December 31, 2023 combined financial statements.

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Chapter 135 of the Ohio Uniform Depository Act authorizes local and governmental units to make deposits in any national bank located in the state subject to inspection by the superintendent of financial institutions. Section 135.14 of the Ohio Revised Code allows the local governmental to invest in United States Treasury bills, notes, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States of America and bonds and other obligations of the State of Ohio. Investments in no-load money market mutual funds, repurchase agreements, commercial paper, and bankers' acceptances are permitted subject to certain limitations that include completion of additional training, approved by the auditor of state, by the treasurer or governing board investing in these instruments.

The Hospital has designated three banks for the deposit of its funds. Investment of interim funds is limited to bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, no-load money market mutual funds, and the Ohio subdivision's fund (STAR Ohio).

Statutes require the classification of funds held by the Hospital into three categories:

Active Funds - Active funds are those funds required to be kept in a "cash" or "near cash" status for immediate use by the Hospital. Such funds must be maintained either in depository accounts or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive Funds - Inactive funds are those funds not required for use within the current five-year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit, maturing not later than the end of the current period of designated depositories or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Funds - Interim funds are those funds which are not needed for immediate use but will be needed before the end of the current period of designation of deposit. Ohio law permits interim funds to be invested or deposited in the following securities:

1. Bonds, notes, or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest
2. Bonds, notes debentures, or other obligations or securities issued by any federal governmental agency
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions
4. Interim deposits in the eligible institutions applying for interim funds to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including but not limited to, passbook accounts
5. Bonds and other obligations of the State of Ohio
6. The Ohio State Treasurer's investment pool (STAR Ohio and STAR Plus)
7. Commercial paper and bankers' acceptances which meet the requirements established by Ohio Revised Code, SEC 135.142
8. Under limited circumstances, corporate debt included in either of the two highest rating classifications by at least two nationally recognized rating agencies

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Protection of the Hospital's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the treasurer by the financial institution or by single collateral pool established by the financial institution to secure the repayment of all public funds deposited with the institution. At December 31, 2021 and 2020, the carrying amount of the Hospital's bank deposits for all funds was \$18,043,951 and \$12,884,571, respectively. The bank balance was \$18,087,903 and \$13,471,702 in 2021 and 2020, respectively. Of the bank balance, \$750,000 for the years ended December 31, 2021 and 2020, respectively, is covered by Federal Depository Insurance. The amount not covered by FDIC was fully collateralized.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling is also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Hospital and must be purchased with the expectation that it will be held to maturity.

The Hospital's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. As a result, the Hospital evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, all Hospital bank deposits (certificates of deposit, checking, and savings accounts) were fully collateralized.

Note 3. Patient Accounts Receivable

Patient accounts receivable at December 31, 2021 and 2020, consisted of these amounts:

Patient Accounts Receivable	2021	2020
Patient accounts receivable	\$ 6,966,731	\$ 5,069,721
Allowance for uncollectable accounts	(1,571,526)	(1,067,538)
Allowance for contractual adjustments	(2,846,846)	(2,541,485)
Patient accounts receivable, net	\$ 2,548,359	\$ 1,460,698

The Hospital's grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2021 and 2020, is as follows:

	2021	2020
Commercial insurance	57%	50%
Medicare and Managed Medicare	26%	39%
Medicaid and Managed Medicaid	7%	6%
Self-pay	10%	5%
	100%	100%

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 4. Cash and Cash Equivalents, Assets Limited as to Use, and Investments

Cash and cash equivalents, assets limited as to use, and investments of the Hospital are composed of the following:

Year Ending December 31,	Fair Value 2021	Fair Value 2020
Demand deposits and money market accounts	\$ 18,043,951	\$ 12,884,571
Certificates of deposit	799,230	858,693
Total	\$ 18,843,181	\$ 13,743,264
Amounts summarized by fund type:		
Cash and cash equivalents	\$ 15,700,450	\$ 10,542,512
Assets limited as to use	2,967,051	3,025,107
Investments	175,680	175,645
Total	\$ 18,843,181	\$ 13,743,264

Note 5. Capital Assets

Capital assets additions, retirements, and balances for the year ended December 31, 2021 was as follows:

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Capital Assets					
Land and land improvements	\$ 861,700	\$ -	\$ -	\$ -	\$ 861,700
Buildings	5,901,781	133,670	-	-	6,035,451
Equipment	23,358,179	628,779	85,310	-	24,072,268
Construction in process	547,490	9,160	(85,310)	-	471,340
Total capital assets	30,669,150	771,609	-	-	31,440,759
Less accumulated depreciation and amortization for:					
Land and land improvements	734,578	25,014	-	-	759,592
Buildings	4,570,776	154,675	-	-	4,725,451
Equipment	19,761,155	967,204	-	-	20,728,359
Total accumulated depreciation and amortization	25,066,509	1,146,897	-	-	26,213,406
Capital assets, net	\$ 5,602,641	\$ (375,288)	\$ -	\$ -	\$ 5,227,353

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Capital assets additions, retirements, and balances for the year ended December 31, 2020 were as follows:

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Capital Assets					
Land and land improvements	\$ 861,700	\$ -	\$ -	\$ -	\$ 861,700
Buildings	5,806,302	95,479	-	-	5,901,781
Equipment	22,875,873	460,025	22,281	-	23,358,179
Construction in process	490,420	79,351	(22,281)	-	547,490
Total capital assets	<u>30,034,295</u>	<u>634,855</u>	<u>-</u>	<u>-</u>	<u>30,669,150</u>
Less accumulated depreciation and amortization for:					
Land and land improvements	707,723	26,855	-	-	734,578
Buildings	4,408,140	162,636	-	-	4,570,776
Equipment	18,797,633	963,522	-	-	19,761,155
Total accumulated depreciation and amortization	<u>23,913,496</u>	<u>1,153,013</u>	<u>-</u>	<u>-</u>	<u>25,066,509</u>
Capital assets, net	<u>\$ 6,120,799</u>	<u>\$ (518,158)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,602,641</u>

Note 6. Estimated Third-Party Payor Settlements

Estimated third-party payor settlements consist of amounts due from (to) the Medicare and Medicaid programs for the settlement of current and prior year cost reports. The balances at December 31, 2021 and 2020, consist of estimated amounts as follows:

	2021	2020
Medicaid	\$ 13,915	\$ 10,116
Medicare	<u>(5,563,004)</u>	<u>(3,895,673)</u>
Total	<u>\$ (5,549,089)</u>	<u>\$ (3,885,557)</u>

Note 7. Long-Term Liabilities

A schedule of changes in the Hospital's long-term liabilities for 2021, are as follows:

	December 31, 2020	Additions	Reductions	December 31, 2021	Amounts Due within 1 year
Long-term debt:					
Paycheck Protection Program Loan	\$ 1,968,222	\$ 1,856,614	\$ 3,824,836	\$ -	\$ -
	<u>1,968,222</u>	<u>1,856,614</u>	<u>3,824,836</u>	<u>-</u>	<u>-</u>
Other noncurrent liabilities:					
Net pension liability	9,549,735	-	3,138,984	6,410,751	-
Net OPEB liability	<u>6,508,220</u>	<u>-</u>	<u>6,508,220</u>	<u>-</u>	<u>-</u>
Total long-term Liabilities	<u>\$ 16,057,955</u>	<u>\$ -</u>	<u>\$ 9,647,204</u>	<u>\$ 6,410,751</u>	<u>\$ -</u>

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

A schedule of changes in the Hospital's long-term liabilities for 2020, are as follows:

	December 31, 2019	Additions	Reductions	December 31, 2020	Amounts Due within 1 year
Long-term debt:					
Paycheck Protection Program Loan	\$ -	\$ 1,968,222	\$ -	\$ 1,968,222	\$ 1,968,222
	-	1,968,222	-	1,968,222	1,968,222
Other noncurrent liabilities:					
Net pension liability	16,730,765	-	7,181,030	9,549,735	-
Net OPEB liability	7,839,663	-	1,331,443	6,508,220	-
Total long-term Liabilities	\$ 24,570,428	\$ -	\$ 8,512,473	\$ 16,057,955	\$ -

On May 7, 2020, the Hospital obtained a loan under the Paycheck Protection Program (PPP) in the amount of \$1,968,222 pursuant to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP was administered by the Small Business Administration (SBA), and the proceeds from the loan had to be spent on qualifying expenses as allowed under the CARES Act in order for it to qualify for forgiveness through the lending bank by the SBA. This PPP loan was made with the stated interest rate of 1% and a scheduled maturity date of May 7, 2022.

As part of the federal government's ongoing efforts to minimize the economic impact of the pandemic the Consolidated Appropriations Act, 2021, was enacted on December 27, 2020. Among other relief provisions, this Act provided for previous small business PPP recipients that experienced significant revenues decline in any 2020 calendar quarter, when compared to the same quarter of 2019, the ability to apply for an additional PPP forgivable loan. On February 8, 2021, the Hospital obtained from a bank a second loan under the second disbursement round of the PPP in the amount of \$1,856,614 at 1% interest scheduled to mature on February 8, 2026.

The allowable costs under the PPP included covered payroll costs, mortgage interest on real or personal property, and covered utility costs. The Hospital believes it used all PPP loan proceeds in accordance with the requirements of the PPP. The Hospital accounted for the PPP loans as debt. The lending institution and Hospital management received two letters dated March 31, 2021 and August 25, 2021, from the SBA indicating full forgiveness in the amount of \$1,968,222 and \$1,856,614, respectively, of the PPP loans. As a result, the Hospital recognized Paycheck Protection Program Loan forgiveness in the amount of \$3,824,826 during the year ended December 31, 2021, on the combined statement of revenues, expenses, and changes in net position (deficit). As of December 31, 2021, the Hospital had no remaining PPP loans outstanding.

The SBA is requiring both lenders and borrowers to retain all documentation related to PPP loans for six years from the time the loan is forgiven or repaid in full so that the SBA can review the property of forgiveness decision. If the documentation should indicate that the borrower was ineligible for the loan, the loan amount, or the loan forgiveness, the loan forgiveness decision can be reversed.

Note 8. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Organization is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

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NOTES TO COMBINED FINANCIAL STATEMENTS

Medicare: The Hospital is a Critical Access Hospital. Inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are based on fee schedules.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

Other payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

Gross patient service revenue and the allowances to reconcile to net patient service revenue for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Gross patient service revenue	\$ 49,583,076	\$ 37,571,599
Less third-party allowances and other discounts	(25,037,372)	(19,737,606)
Less bad debts	<u>(2,420,508)</u>	<u>(1,817,622)</u>
Net patient service revenue	<u>\$ 22,125,196</u>	<u>\$ 16,016,371</u>

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended December 31, 2021 and 2020 from these major payor sources, is as follows:

2021	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 22,822,531</u>	<u>\$ 1,723,173</u>	<u>\$ 24,545,704</u>
2020	Third-Party Payors	Self-Pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	<u>\$ 16,091,592</u>	<u>\$ 1,742,401</u>	<u>\$ 17,833,993</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

Upper payment limit: In September 2001, the State of Ohio Supplemental Upper Payment Limit program for Public Hospitals (UPL) was approved by the Centers for Medicare and Medicaid Services (CMS). This program provides access to available federal funding up to 100% of the Medicare upper payment limits for services rendered by Ohio Public Hospitals to Ohio Medicaid consumers.

As disclosed in Note 6 to the accompanying financial statements, the Hospital has recorded assets and liabilities for cost report settlement amounts with Medicare and Medicaid. The net patient service revenue for the years ended December 31, 2021 and 2020, was increased (decreased) by approximately \$510,000 and (\$511,000), respectively, as a result of settlements at amounts different than originally estimated.

Note 9. Pension Plans

Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the Hospital's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Hospital's obligation for the liability to annually required payments. The Hospital cannot control benefit terms or the manner in which pensions are financed; however, the Hospital does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension asset or net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in accrued compensation on the accrual basis of accounting.

The Hospital identified a potential liability associated with the OPERS plan as of December 31, 2021. As of the date of this report, management can not reasonably estimate the amount of the potential liability and no liability has been recorded as of December 31, 2021.

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Hospital employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Hospital employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional and combined plans; therefore, the following disclosure focuses on the traditional and combined pension plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting, <https://www.opers.org/financial/reports.shtml> by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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NOTES TO COMBINED FINANCIAL STATEMENTS

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

Statutory Maximum Contributions Rates (State and Local)	2021	2020
Employer	14%	14%
Employee	10%	10%

Actual Contribution Rates	2021	2020
Employer		
Pension	14%	14%
Post-employment health care benefits	0%	0%
Total Employer	14%	14%
Employee	10%	10%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Hospital's contractually required contributions were \$918,821 and \$809,581 for 2021 and 2020, respectively. Of this amount, \$75,253 and \$88,081 for 2021 and 2020, respectively, was reported as an accrued compensation.

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension asset/liability for OPERS at December 31, 2021 and 2020 was measured as of December 31, 2020 and 2019, respectively, the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension asset/liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2021		
	OPERS	OPERS	Total
	Traditional Plan	Combined Plan	
Proportionate Share of the Net Pension Asset	\$ -	\$ 133,824	\$ 133,824
Proportionate Share of the Net Pension Liability	\$ 6,410,751	\$ -	\$ 6,410,751
Proportion of the Net Pension Asset/Liability	0.043293%	0.046360%	
Pension Expense	\$ 117,900	\$ 3,155	\$ 121,056

	2020		
	OPERS	OPERS	Total
	Traditional Plan	Combined Plan	
Proportionate Share of the Net Pension Asset	\$ -	\$ 88,644	\$ 88,644
Proportionate Share of the Net Pension Liability	\$ 9,549,735	\$ -	\$ 9,549,735
Proportion of the Net Pension Asset/Liability	0.048314%	0.042510%	
Pension Expense	\$ 1,561,521	\$ 10,156	\$ 1,571,677

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NOTES TO COMBINED FINANCIAL STATEMENTS

At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021			
	Traditional Plan		Combined Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,766,891	\$ -	\$ 45,149
Changes of assumptions	-	-	8,357	-
Change in the Hospital's proportion	-	1,357,244	47,445	9,608
Contributions subsequent to the measurement date	<u>881,033</u>	<u>-</u>	<u>37,788</u>	<u>-</u>
	<u>\$ 881,033</u>	<u>\$ 4,124,135</u>	<u>\$ 93,590</u>	<u>\$ 54,757</u>

	2020			
	Traditional Plan		Combined Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,025,670	\$ -	\$ 32,308
Changes of assumptions	510,060	-	9,140	-
Change in the Hospital's proportion	-	2,439,532	53,692	3,315
Contributions subsequent to the measurement date	<u>783,516</u>	<u>-</u>	<u>26,065</u>	<u>-</u>
	<u>\$ 1,293,576</u>	<u>\$ 4,465,202</u>	<u>\$ 88,897</u>	<u>\$ 35,623</u>

\$918,821 and \$809,581 was reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the years ending December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	Combined	Total
2022	\$ (2,211,143)	\$ (5,069)	\$ (2,216,212)
2023	(553,640)	(1,573)	(555,212)
2024	(1,018,564)	(6,163)	(1,024,728)
2025	(340,788)	207	(340,581)
2026	-	2,796	2,796
Thereafter	<u>-</u>	<u>10,847</u>	<u>10,847</u>
	<u>\$ (4,124,135)</u>	<u>\$ 1,045</u>	<u>\$ (4,123,090)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are

MORROW COUNTY HOSPITAL AND AFFILIATES

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subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

December 31, 2020		
<u>Actuarial Information</u>	<u>Traditional Plan</u>	<u>Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 10.75 percent, including wage inflation	3.25 percent to 8.25 percent, including wage inflation
COLA or Ad Hoc COLA	2.15 percent, simple	2.15 percent, simple
Investment Rate of Return	7.20 percent	7.20 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

December 31, 2019		
<u>Actuarial Information</u>	<u>Traditional Plan</u>	<u>Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 10.75 percent, including wage inflation	3.25 percent to 8.25 percent, including wage inflation
COLA or Ad Hoc COLA	2.15 percent, simple	2.15 percent, simple
Investment Rate of Return	7.20 percent	7.20 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For the December 31, 2020 and 2019 actuarial valuation, mortality rates were based on the RP-2014 Healthy Annuitant mortality table. The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and 2019 and the long-term expected real rates of return:

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<u>Asset Class</u>	2020 OPERS		2019 OPERS	
	<u>Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equities	21%	5.64%	19%	5.75%
International equities	23%	7.36%	21%	7.66%
Fixed income	25%	1.07%	25%	1.83%
Real estate	10%	6.48%	10%	5.20%
Private equities	12%	10.42%	12%	10.70%
Other investments	9%	4.02%	13%	4.98%
	100%		100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.20% as of the valuation period ending December 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Hospital's proportionate share of the net pension liability calculated using the current period discount rate assumption, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
2021			
Hospital's proportionate share of the net pension liability – Traditional	\$ 12,228,541	\$ 6,410,751	\$ 1,573,268
Hospital's proportionate share of the net pension liability (asset) – Combined	\$ (93,184)	\$ (133,824)	\$ (164,114)
2020			
Hospital's proportionate share of the net pension liability – Traditional	\$ 15,750,364	\$ 9,549,735	\$ 3,975,276
Hospital's proportionate share of the net pension liability (asset) – Combined	\$ (53,563)	\$ (88,644)	\$ (113,927)

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Note 10 - Defined Benefit OPEB Plans

Net Other Post-Retirement Employee Benefit Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions, between an employer and its employee, of salaries and benefits for employee services. OPEB are provided to an employee, on a deferred-payment basis, as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Hospital's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Hospital's obligation for this liability to annually required payments. The Hospital cannot control benefit terms or the manner in which OPEB are financed; however, the Hospital does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Other Post-Retirement Employee Benefit (OPEB)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

(OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021 and 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 and 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Hospital's contractually required contribution was \$4,036 and \$4,254 for 2021 and 2020, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020 for year ended December 31, 2021 and December 31, 2018, rolled forward to the measurement date of December 31, 2019 for year ended December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Hospital's proportion of the net OPEB liability was based on the Hospital's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2021</u>		<u>2020</u>
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ (756,085)	\$	6,508,220
Proportion of the Net OPEB			
Asset/Liability	0.04243900%		0.04711800%
OPEB Expense	\$ (4,575,723)	\$	737,946

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NOTES TO COMBINED FINANCIAL STATEMENTS

At December 31, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 682,362
Net difference between projected and actual earnings on OPEB plan investments	-	402,701
Change in the Hospital's proportion	-	842,302
Changes of assumptions	<u>371,700</u>	<u>1,225,084</u>
	<u>\$ 371,700</u>	<u>\$ 3,152,449</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 175	\$ 595,207
Net difference between projected and actual earnings on OPEB plan investments	-	331,397
Change in the Hospital's proportion	-	1,298,477
Changes of assumptions	<u>1,030,181</u>	<u>-</u>
	<u>\$ 1,030,356</u>	<u>\$ 2,225,081</u>

The Hospital reported \$0 as deferred outflows of resources related to OPEB resulting from Hospital contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the years ending December 31, 2021 and 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	Total
2022	\$ (1,698,710)
2023	(859,591)
2024	(174,998)
2025	(47,450)
2026	-
Thereafter	-
	<u>\$ (2,780,749)</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS

Actuarial Assumptions - OPEB

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020 and December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

December 31, 2020	
<u>Actuarial Information</u>	<u>Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including Inflation	3.25 percent to 10.75 percent, including wage inflation
Single Discount Rate	
Current Measurement Rate	6.00 percent
Prior Measurement Rate	3.16 percent
Investment Rate of Return	6.00 percent
Health Care Cost Trend Rate	8.5 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age
December 31, 2019	
<u>Actuarial Information</u>	<u>Traditional Plan</u>
Wage Inflation	3.25 percent
Future Salary Increases, including Inflation	3.25 percent to 10.75 percent, including wage inflation
Single Discount Rate	
Current Measurement Rate	3.16 percent
Prior Measurement Rate	3.96 percent
Investment Rate of Return	6.00 percent
Health Care Cost Trend Rate	10.5 percent initial, 3.50 percent ultimate in 2030
Actuarial Cost Method	Individual Entry Age

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

For both years 2020 and 2019, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and 2019 with the long-term expected real rates of return:

2020		
Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

2019		
Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	<u>100.00 %</u>	<u>4.55 %</u>

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Discount Rate - A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Hospital's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the Hospital's proportionate share of the net OPEB liability calculated using the single discount rate, as well as what the Hospital's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Hospital's proportionate share of the net asset: OPEB - 2021	\$ (188,005)	\$ (756,085)	\$ (1,223,092)

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Hospital's proportionate share of the net liability: OPEB - 2020	\$ 8,517,050	\$ 6,508,220	\$ 4,899,801

Sensitivity of the Hospital's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Hospital's proportionate share of the net asset: OPEB - 2021	\$ (774,512)	\$ (756,085)	\$ (735,468)

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Hospital's proportionate share of the net liability:			
OPEB - 2020	\$ 6,316,168	\$ 6,508,220	\$ 6,697,824

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 and 2020 is 8.5% and 10.5%, respectively. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Note 11. Professional Liability Insurance

Based on the nature of its operations, the Hospital is at times subject to pending or threatened legal actions, which arise in the normal course of its activities.

The Hospital is insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$1,000,000, or aggregate claims exceeding \$3,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Hospital is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. There has not been a significant reduction in coverage from the prior year. The cost of this insurance policy represents the Hospital's cost for such claims for the past three years, and it has been charged to operations as a current expense.

Note 12. Affiliation and Disposal of Operations

The Hospital contracts with OhioHealth for management, information technology, revenue cycle management and support, and other support services. OhioHealth employs the Hospital's chief executive officer and chief nursing officer/vice president of patient care services. The agreement expires on December 31, 2022. Expenses for services included in the combined statements of revenue, expenses, and changes in net position (deficit) at December 31, 2021 and 2020, consisted of these amounts:

	2021	2020
Employee salaries, benefits, and payroll taxes	\$ 799,536	\$ 892,968
Purchased services	1,093,056	1,180,637
Affiliation fees	125,000	125,000
Other support services and resources	203,262	218,904
Total	\$ 2,220,854	\$ 2,417,509

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Amounts due to OhioHealth for services amounted to approximately \$387,000 and \$624,000 at December 31, 2021 and 2020, respectively, and have been included in accounts payable on the accompanying combined balance sheets.

Note 13. Fair Value of Financial Instruments

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- Level 3:** Significant unobservable inputs that reflect a hospital's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair Value Measurements

Following are description of the valuation methodologies used for assets and a liability measured at fair value on a recurring basis and recognized on the accompanying combined balance sheets, as well as the general classification of such assets and liability pursuant to the valuation hierarchy.

Investments and Assets Limited as to Use: Investment securities and assets limited as to use are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating. Level 1 securities include those traded by dealers or brokers in active over-the-counter markets and money market funds.

Assets at Fair Value on a Recurring Basis

The table below presents the recorded amount of assets measured at fair value on a recurring basis.

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	<u>\$ 18,043,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,043,951</u>
Certificate of deposit				<u>799,230</u>
Total investments				<u>\$ 18,843,181</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	<u>\$ 12,884,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,884,571</u>
Certificate of deposit				<u>858,693</u>
Total investments				<u>\$ 13,743,264</u>

MORROW COUNTY HOSPITAL AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

Assets Recorded at Fair Value on a Nonrecurring Basis

The Hospital has no assets or liabilities that are recorded at fair value on a nonrecurring basis.

Note 14. Lease Commitments and Rental Expense

Operating leases consist of several cancelable and noncancelable leasing arrangements expiring at various dates through 2024 with renewal options thereafter. For the year ended December 31, 2021, future minimum lease payments under noncancelable operating lease agreements were as follows:

<u>Years ending December 31.</u>	<u>Minimum Lease Payments</u>
2022	\$ 464,041
2023	464,041
2024	<u>464,041</u>
Total minimum lease payments	<u>\$ 1,392,123</u>

Note 15. COVID-19 Pandemic

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has significantly impacted both the world and U.S. economies. Since March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In certain geographic regions in which the Company operates, temporary closures of businesses have been ordered or suggested and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel-related businesses.

As a result of the COVID-19 pandemic, patient volumes and related revenues for certain services have been negatively impacted and expenses related to supplies such as personal protective equipment and other expenditures have been increasing. Many of these impacts continued to affect the Hospital's results of operations through the year ended December 31, 2021.

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, which included, among other programs, the Provider Relief Fund (PRF). The American Rescue Plan Act of 2021 (ARPA) was enacted on March 11, 2021, and authorized additional distributions to hospitals and other health care providers through the Provider Relief Fund.

MORROW COUNTY HOSPITAL AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

The material government funding received by the Hospital, and the corresponding accounting for the funding, is outlined below:

Department of Health and Human Services (HHS) Provider Relief Fund: During the years ended December 31, 2021 and 2020, the Hospital received \$698,599 and \$4,200,633, respectively, in funding through the HHS PRF program. According to guidance provided by HHS, these funds may only be used when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions, established by HHS, when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenues or COVID-19 expenses, the funds must be returned to HHS. Based on the Hospital's calculation of lost revenue and COVID-19 expenses, the Hospital has recognized \$698,599 and \$4,200,633, as other gains on the combined statements of revenues, expenses, and changes in net position (deficit) during the years ended December 31, 2021 and 2020, respectively. As it relates to the amount recognized, the Hospital believes that the conditions for receipt and conditions for expenditure have both occurred during the years ended December 31, 2021 and 2020. While the Company has utilized all available current information in determining the proper utilization and accounting for these funds, additional regulatory guidance is expected that could have a material impact on how the Company has recognized PRF Funds.

Note 16. Blended Component Unit

Morrow County Hospital Health Services and Morrow County Hospital Foundation are considered blended component units under the criteria of GASB Statement No. 61. The following represents combining financial statements for the years ended 2021 and 2020.

MORROW COUNTY HOSPITAL AND AFFILIATES

**COMBINING BALANCE SHEET
December 31, 2021**

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 15,327,610	\$ -	\$ 372,840	\$ -	\$ 15,700,450
Patient accounts receivable	2,548,359	-	-	-	2,548,359
Levied taxes receivable	1,531,681	-	-	-	1,531,681
Prepaid expenses and other	562,888	-	250,651	(270,736)	542,803
Inventory	348,872	-	-	-	348,872
Total current assets	20,319,410	-	623,491	(270,736)	20,672,165
NONCURRENT ASSETS					
Assets limited as to use	1,398,099	-	1,568,952	-	2,967,051
Investments	-	-	175,680	-	175,680
Net OPEB asset	756,085	-	-	-	756,085
Net pension asset	133,824	-	-	-	133,824
Capital assets, net	5,227,353	-	-	-	5,227,353
Total noncurrent assets	7,515,361	-	1,744,632	-	9,259,993
Total assets	27,834,771	-	2,368,123	(270,736)	29,932,158
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	371,700	-	-	-	371,700
Pension	974,623	-	-	-	974,623
Total assets and deferred outflow of resources	\$ 29,181,094	\$ -	\$ 2,368,123	\$ (270,736)	\$ 31,278,481
LIABILITIES					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,311,933	20,085	-	(20,085)	2,311,933
Estimated third-party payor settlements	5,549,089	-	-	-	5,549,089
Accrued liabilities and other:					
Accrued compensation	270,445	-	-	-	270,445
Accrued compensated absences	507,035	-	-	-	507,035
Total current liabilities	8,638,502	20,085	-	(20,085)	8,638,502
LONG-TERM LIABILITIES					
Net OPEB liability	-	-	-	-	-
Net pension liability	6,410,751	-	-	-	6,410,751
Long-term debt - net of current portion	-	250,651	-	(250,651)	-
Total long-term liabilities	6,410,751	250,651	-	(250,651)	6,410,751
Total liabilities	15,049,253	270,736	-	(270,736)	15,049,253
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for next fiscal year	1,531,681	-	-	-	1,531,681
Third-party revenues not available	17,342	-	-	-	17,342
OPEB	3,152,449	-	-	-	3,152,449
Pension	4,178,892	-	-	-	4,178,892
Total deferred inflows of resources	8,880,364	-	-	-	8,880,364
Total liabilities and deferred inflows	23,929,617	270,736	-	(270,736)	23,929,617
Net Position (Deficit):					
Net investment in capital assets	5,227,353	-	-	-	5,227,353
Unrestricted	24,124	(270,736)	2,368,123	-	2,121,511
Total net position (deficit)	5,251,477	(270,736)	2,368,123	-	7,348,864
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 29,181,094	\$ -	\$ 2,368,123	\$ (270,736)	\$ 31,278,481

MORROW COUNTY HOSPITAL AND AFFILIATES

**COMBINING BALANCE SHEET
December 31, 2020**

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 10,098,704	\$ 113,801	\$ 330,007	\$ -	\$ 10,542,512
Patient accounts receivable	1,460,698	-	-	-	1,460,698
Levied taxes receivable	1,497,424	-	-	-	1,497,424
Prepaid expenses and other	319,426	-	250,651	(270,736)	299,341
Inventory	379,638	-	-	-	379,638
Total current assets	13,755,890	113,801	580,658	(270,736)	14,179,613
NONCURRENT ASSETS					
Assets limited as to use	1,456,779	-	1,568,328	-	3,025,107
Investments	-	-	175,645	-	175,645
Net pension asset	88,644	-	-	-	88,644
Capital assets, net	5,602,641	-	-	-	5,602,641
Total noncurrent assets	7,148,064	-	1,743,973	-	8,892,037
Total assets	20,903,954	113,801	2,324,631	(270,736)	23,071,650
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	1,030,356	-	-	-	1,030,356
Pension	1,382,473	-	-	-	1,382,473
Total assets and deferred outflow of resources	\$ 23,316,783	\$ 113,801	\$ 2,324,631	\$ (270,736)	\$ 25,484,479
LIABILITIES					
CURRENT LIABILITIES					
Current portion of long-term debt	\$ 1,968,222	\$ -	\$ -	\$ -	\$ 1,968,222
Accounts payable	1,858,169	20,085	-	(20,085)	1,858,169
Estimated third-party payor settlements	3,885,557	-	-	-	3,885,557
Accrued liabilities and other:					
Accrued compensation	285,602	-	-	-	285,602
Accrued compensated absences	515,432	-	-	-	515,432
Total current liabilities	8,512,982	20,085	-	(20,085)	8,512,982
LONG-TERM LIABILITIES					
Net OPEB liability	6,508,220	-	-	-	6,508,220
Net pension liability	9,549,735	-	-	-	9,549,735
Long-term debt - net of current portion	-	250,651	-	(250,651)	-
Total long-term liabilities	16,057,955	250,651	-	(250,651)	16,057,955
Total liabilities	24,570,937	270,736	-	(270,736)	24,570,937
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for next fiscal year	1,497,424	-	-	-	1,497,424
OPEB	2,225,081	-	-	-	2,225,081
Pension	4,500,825	-	-	-	4,500,825
Total deferred inflows of resources	8,223,330	-	-	-	8,223,330
Total liabilities and deferred inflows	32,794,267	270,736	-	(270,736)	32,794,267
Net Position (Deficit):					
Net investment in capital assets	5,602,641	-	-	-	5,602,641
Unrestricted	(15,080,125)	(156,935)	2,324,631	-	(12,912,429)
Total net position (deficit)	(9,477,484)	(156,935)	2,324,631	-	(7,309,788)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 23,316,783	\$ 113,801	\$ 2,324,631	\$ (270,736)	\$ 25,484,479

MORROW COUNTY HOSPITAL AND AFFILIATES

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)
Year Ended December 31, 2021**

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
OPERATING REVENUE					
Net patient service revenue	\$ 22,125,196	\$ -	\$ -	\$ -	\$ 22,125,196
Other revenue	751,196	-	51,937	-	803,133
Total operating revenue	22,876,392	-	51,937	-	22,928,329
OPERATING EXPENSES					
Salaries and wages	6,643,000	-	-	-	6,643,000
Employee benefits and payroll taxes	(5,586,973)	-	-	-	(5,586,973)
Operating supplies and expenses	3,840,365	-	30,828	-	3,871,193
Purchased services	6,986,662	-	-	-	6,986,662
Insurance	176,843	-	-	-	176,843
Utilities	495,801	-	-	-	495,801
Rental	631,008	-	-	-	631,008
Depreciation and amortization	1,146,897	-	-	-	1,146,897
Total operating expenses	14,333,603	-	30,828	-	14,364,431
Operating income (loss)	8,542,789	-	21,109	-	8,563,898
NON-OPERATING REVENUE (EXPENSES)					
Investment income	17,254	-	659	-	17,913
Contributions	-	-	21,724	-	21,724
Other gains	698,599	-	-	-	698,599
Property taxes	1,360,340	-	-	-	1,360,340
Intergovernmental revenue	171,342	-	-	-	171,342
Paycheck Protection Program Loan forgiveness	3,824,836	-	-	-	3,824,836
Total non-operating income	6,072,371	-	22,383	-	6,094,754
Increase in Net Position	\$ 14,615,160	\$ -	\$ 43,492	\$ -	\$ 14,658,652

MORROW COUNTY HOSPITAL AND AFFILIATES

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)
Year Ended December 31, 2020**

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
OPERATING REVENUE					
Net patient service revenue	\$ 16,016,371	\$ -	\$ -	\$ -	\$ 16,016,371
Other revenue	538,211	-	51,473	-	589,684
Total operating revenue	16,554,582	-	51,473	-	16,606,055
OPERATING EXPENSES					
Salaries and wages	6,248,869	-	-	-	6,248,869
Employee benefits and payroll taxes	2,355,888	-	-	-	2,355,888
Operating supplies and expenses	3,012,091	-	6,836	-	3,018,927
Purchased services	6,821,131	-	-	-	6,821,131
Insurance	167,074	-	-	-	167,074
Utilities	477,694	-	-	-	477,694
Rental	636,838	-	-	-	636,838
Depreciation and amortization	1,153,013	-	-	-	1,153,013
Total operating expenses	20,872,598	-	6,836	-	20,879,434
Operating income (loss)	(4,318,016)	-	44,637	-	(4,273,379)
NON-OPERATING REVENUE (EXPENSES)					
Investment income	33,347	-	7,309	-	40,656
Contributions	-	-	966	-	966
Other gains	4,610,447	-	-	-	4,610,447
Property taxes	1,326,559	-	-	-	1,326,559
Intergovernmental revenue	254,422	-	-	-	254,422
Interest expense	(12,834)	-	-	-	(12,834)
Total non-operating income	6,211,941	-	8,275	-	6,220,216
Increase in Net Position	\$ 1,893,925	\$ -	\$ 52,912	\$ -	\$ 1,946,837

MORROW COUNTY HOSPITAL AND AFFILIATES

COMBINING STATEMENT OF CASH FLOWS Year Ended December 31, 2021

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from patients and third-party payors	\$ 22,701,067	\$ -	\$ -	\$ -	\$ 22,701,067
Cash payments to vendors for services and goods	(11,852,184)	(20,085)	(30,828)	-	(11,903,097)
Cash payments to employees for services	(9,856,109)	-	-	-	(9,856,109)
Other receipts, net	844,912	(93,716)	51,937	-	803,133
Net cash provided by operation activities	1,837,686	(113,801)	21,109	-	1,744,994
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions and construction of capital assets - net	(771,609)	-	-	-	(771,609)
Proceeds from paycheck protection program	1,856,614	-	-	-	1,856,614
Interest paid on capital related debt and capital leases	-	-	-	-	-
Net cash used in capital and related financing activities	1,085,005	-	-	-	1,085,005
CASH FLOW FROM INVESTING FINANCING					
Interest in investments	17,254	-	659	-	17,913
Purchase of investments	-	-	-	-	-
Proceeds from sale of investments and assets limited as to use	59,462	-	-	-	59,462
Net cash provided by investing financing	76,716	-	659	-	77,375
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Contributions	-	-	21,724	-	21,724
Other non-operating	698,599	-	-	-	698,599
Property tax levy/Intergovernmental revenue	1,531,682	-	-	-	1,531,682
Net cash provided by noncapital financing activities	2,230,281	-	21,724	-	2,252,005
Net increase in cash and investments	5,229,688	(113,801)	43,492	-	5,159,379
Cash and cash equivalents:					
Beginning of year	10,696,791	113,801	2,073,980	-	12,884,572
End of year	\$ 15,926,479	\$ -	\$ 2,117,472	\$ -	\$ 18,043,951

MORROW COUNTY HOSPITAL AND AFFILIATES

COMBINING STATEMENT OF CASH FLOWS Year Ended December 31, 2020

	Morrow County Hospital	Morrow County Hospital Health Services	Morrow County Hospital Foundation	Eliminating Entries	Total
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from patients and third-party payors	\$ 16,773,987	\$ -	\$ -	\$ -	\$ 16,773,987
Cash payments to vendors for services and goods	(10,985,876)	(9,367)	(6,836)	-	(11,002,079)
Cash payments to employees for services	(9,199,555)	-	-	-	(9,199,555)
Other receipts, net	512,326	25,885	51,473	-	589,684
Net cash provided by operation activities	(2,899,118)	16,518	44,637	-	(2,837,963)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisitions and construction of capital assets - net	(634,855)	-	-	-	(634,855)
Proceeds from paycheck protection program	1,968,222	-	-	-	1,968,222
Interest paid on capital related debt and capital leases	(12,834)	-	-	-	(12,834)
Net cash used in capital and related financing activities	1,320,533	-	-	-	1,320,533
CASH FLOW FROM INVESTING FINANCING					
Interest in investments	33,347	-	7,309	-	40,656
Purchase of investments	(19,378)	-	-	-	(19,378)
Net cash provided by investing financing	13,969	-	7,309	-	21,278
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Contributions	-	-	966	-	966
Other non-operating	4,610,447	-	-	-	4,610,447
Property tax levy/Intergovernmental revenue	1,580,981	-	-	-	1,580,981
Net cash provided by noncapital financing activities	6,191,428	-	966	-	6,192,394
Net increase in cash and investments	4,626,812	16,518	52,912	-	4,696,242
Cash and cash equivalents:					
Beginning of year	6,069,979	97,283	2,021,068	-	8,188,330
End of year	\$ 10,696,791	\$ 113,801	\$ 2,073,980	\$ -	\$ 12,884,572

Required Supplementary Information

**MORROW COUNTY HOSPITAL AND AFFILIATES
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF ORGANIZATION'S CONTRIBUTIONS - OPERS
December 31, 2021, 2020, 2019, 2018, 2017, 2016 and 2015**

Morrow County Hospital
Morrow County, Ohio
Required Supplementary Information
Schedule of Hospital Contributions
Last Seven Years

	2021	2020	2019	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS Traditional Plan)							
Contractually Required Contribution	\$ 881,033	\$ 783,516	\$ 951,645	\$ 1,155,141	\$ 1,159,346	\$ 1,137,945	\$ 1,080,158
Contributions in Relation to the Contractually Required Contribution	(881,033)	(783,516)	(951,645)	(1,155,141)	(1,159,346)	(1,137,945)	(1,080,158)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered payroll	\$ 6,293,093	\$ 5,596,543	\$ 6,797,464	\$ 8,251,007	\$ 8,918,046	\$ 9,482,875	\$ 9,001,317
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%
Ohio Public Employees' Retirement System (OPERS Combined Plan)							
Contractually Required Contribution	\$ 37,788	\$ 26,065	\$ 26,493	\$ 42,853	\$ 40,383	\$ 37,589	\$ 38,935
Contributions in Relation to the Contractually Required Contribution	(37,788)	(26,065)	(26,493)	(42,853)	(40,383)	(37,589)	(38,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered payroll	\$ 269,914	\$ 186,179	\$ 189,236	\$ 306,093	\$ 310,638	\$ 313,242	\$ 324,458
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB 68. Information in these schedules has been determined as of the Hospital's most recent fiscal year-end.

**MORROW COUNTY HOSPITAL AND AFFILIATES
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF ORGANIZATION'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
December 31, 2021, 2020, 2019, 2018, 2017, 2016 and 2015**

Morrow County Hospital
Morrow County, Ohio
Required Supplementary Information
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Last Seven Years

	2021	2020	2019	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS) - Traditional Plan							
Hospital's Proportion of the Net Pension Liability (Asset)	0.0432930%	0.0483140%	0.0610880%	0.0674840%	0.0733570%	0.0723230%	0.0752570%
Hospital's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,410,751	\$ 9,549,735	\$ 16,730,765	\$ 10,586,931	\$ 16,658,127	\$ 12,527,255	\$ 9,076,835
Hospital's Covered Payroll	\$ 5,596,543	\$ 6,797,464	\$ 8,251,007	\$ 8,918,046	\$ 9,482,875	\$ 9,001,317	\$ 9,226,525
Hospital's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	114.55%	140.49%	202.77%	118.71%	175.67%	139.17%	98.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.36%
Ohio Public Employees' Retirement System (OPERS) - Combined Plan							
Hospital's Proportion of the Net Pension Liability (Asset)	0.0463600%	0.0425100%	0.0715690%	0.0758480%	0.0804710%	0.0891600%	0.0702250%
Hospital's Proportionate Share of the Net Pension Liability (Asset)	\$ (133,824)	\$ (88,644)	\$ (80,030)	\$ (103,254)	\$ (44,788)	\$ (48,387)	\$ (27,038)
Hospital's Covered Payroll	\$ 186,179	\$ 189,236	\$ 306,094	\$ 310,638	\$ 313,242	\$ 324,458	\$ (256,700)
Hospital's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	-71.88%	-46.84%	-26.15%	-33.24%	-14.30%	-14.91%	-10.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	145.28%	126.64%	137.28%	116.55%	116.90%	114.83%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB 68. Information in these schedules has been determined as of the measurement date (December 31, of the prior fiscal year) of the collective net pension liability (asset).

**MORROW COUNTY HOSPITAL AND AFFILIATES
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF ORGANIZATION'S CONTRIBUTIONS - OPEB
December 31, 2021, 2020, 2019, 2018, 2017, and 2016**

**Morrow County Hospital
Morrow County, Ohio**
*Required Supplementary Information
Schedule of Hospital Contributions- OPEB
Last Six Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Other Postemployment Benefits (OPEB)						
Contractually Required Contribution	\$ 4,036	\$ 4,254	\$ 5,261	\$ 6,589	\$ 99,568	\$ 206,696
Contributions in Relation to the Contractually Required Contribution	<u>(4,036)</u>	<u>(4,254)</u>	<u>(5,261)</u>	<u>(6,589)</u>	<u>(99,568)</u>	<u>(206,696)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered payroll	\$ 6,663,903	\$ 5,889,072	\$ 7,118,221	\$ 9,393,413	\$ 9,410,700	\$ 10,065,453
Contributions as a percentage of covered payroll	<u>0.06%</u>	<u>0.07%</u>	<u>0.07%</u>	<u>0.07%</u>	<u>1.06%</u>	<u>2.05%</u>

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB 75. Information in these schedules has been determined as of the Hospital's most recent fiscal year-end.

**MORROW COUNTY HOSPITAL AND AFFILIATES
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF ORGANIZATION'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
(ASSET) - OPEB
December 31, 2021, 2020, 2019 and 2018**

**Morrow County Hospital
Morrow County, Ohio
Required Supplementary Information
Schedule of the Hospital's Proportionate Share of the Net OPEB Liability (Asset)
Last Five Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Other Postemployment Benefits (OPEB)					
Hospital's Proportion of the Net OPEB Liability	0.0424390%	0.0471180%	0.0601310%	0.0664400%	0.0664400%
Hospital's Proportionate Share of the Net OPEB Liability (Asset)	\$ (756,085)	\$ 6,508,220	\$ 7,839,663	\$ 7,214,895	\$ 6,710,666
Hospital's Covered Payroll	\$ 5,889,072	\$ 7,118,221	\$ 9,393,413	\$ 9,410,700	\$ 10,065,453
Hospital's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-12.84%	91.43%	83.46%	76.67%	66.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%	54.04%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information has been determined under the provisions of GASB 75. Information in these schedules has been determined as of the measurement date (December 31, of the prior fiscal year) of the collective net OPEB liability (asset).

**MORROW COUNTY HOSPITAL AND AFFILIATES
REQUIRED SUPPLEMENTARY INFORMATION**

NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES

Pension Information

Benefit Changes

There were no changes of benefit terms in 2021 and 2020.

Changes in Assumptions

There were no changes in methods and assumptions used in the calculation of the actuarially determined contribution for 2015-2016. In 2016, the OPERS' Board of Trustees; actuarial consultants conducted an experience study for the period 2011 through 2015. The experienced study compared assumptions to actual results and led to changes in both demographic and economic assumptions for the actuarial valuation as of December 31, 2016 and used for the Hospital's 2017 fiscal year. For 2017, the most significant changes of assumptions that affected the net pension liability included a reduction in the investment rate of return from 8.0% to 7.5%, a decrease in the wage inflation from 3.75% to 3.25%, and a change in the future salary increase from a range of 4.25% to 10.05% to a range of 3.25% to 10.75%. For 2018, the most significant change of assumption that affected the net pension liability included an increase in inflation from 2.5% to 3.25%. For 2019, the most significant change included a decrease in the investment rate of return from 7.50% to 7.20%. No significant changes in assumptions in 2020 and 2021.

OPEB Information

Benefit Changes

There were no changes of benefit terms in 2021 and 2020.

Changes in Assumptions

For 2019, there was no changes in assumptions. For 2020, the health care cost trend rate increased from 10.0% initial, 3.25% ultimate in 2028 to 3.5% ultimate in 2030. The discount rate also decreased from 3.96% to 3.16%. For 2021, the most significant change included an increase in single discount rate from 3.16% in 2020 to 6.00% in 2021. Additionally, in 2021, health care cost trend rate decreased from 10.5% in 2020 to 8.5% in 2021.

Supplementary Information

MORROW COUNTY HOSPITAL AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor Program Title	Federal AL * Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Direct Awards:</u>			
U.S. Department of Health and Human Services:			
Provider Relief Fund	93.498	N/A	\$ 4,200,633
Total expenditures of federal awards			\$ 4,200,633

* AL = Assistance Listing

MORROW COUNTY HOSPITAL AND AFFILIATES

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Morrow County Hospital and Affiliates (Hospital) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations Morrow County Hospital and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morrow County Hospital and Affiliates.

Note 2. Summary of Significant Accounting Policy

Expenditures reported on the Schedule are reported on the accrual basis of accounting, with the exception of expenditures associated with Provider Relief Funds (PRF). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. PRF expenditures are reported based upon the PRF report that is required to be submitted to the Health Resources and Services Administration (HRSA) reporting portal. Morrow County Hospital and Affiliates has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Summary of Provider Relief Funds

Below is a summary when the Provider Relief Funds were received and recognized as revenue by the Hospital:

PRF Reporting Period	Payments Received Period	Total Payments Received	Revenue Recognized for the Years Ended December 31,		Deferred Revenue as of December 31,	
			2021	2020	2021	2020
Period 1	April 10, 2020 to June 30, 2020	\$ 4,200,633	\$ -	\$ 4,200,633	\$ -	\$ -
Period 2	July 1, 2020 to December 31, 2020	-	-	-	-	-
Period 3	January 1, 2021 to June 30, 2021	-	-	-	-	-
Period 4	July 1, 2021 to December 31, 2021	698,599	698,599	-	-	-
		<u>\$ 4,899,232</u>	<u>\$ 698,599</u>	<u>\$ 4,200,633</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Subrecipients

Morrow County Hospital and Affiliates did not pass any federal awards to subrecipients.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Trustees
Morrow County Hospital and Affiliates
Mt. Gilead, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Morrow County Hospital and Affiliates (the Hospital), which comprise the combined balance sheet, as of December 31, 2021, and the related combined statement of operations and changes in net position (deficit), and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-01 and 2021-02, that we consider to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
June 29, 2022

**Independent Auditor's Report on Compliance
for The Major Federal Program and Report on
Internal Control Over Compliance Required by
The Uniform Guidance**

Board of Trustees
Morrow County Hospital and Affiliates
Mt. Gilead, Ohio

Opinion on the Major Federal Program

We have audited Morrow County Hospital and Affiliates (Hospital) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2021. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-03. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-03, to be a significant deficiency. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures the Hospital's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
June 29, 2022

MORROW COUNTY HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2021

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

No

Significant deficiency(ies) identified?

Yes

None Reported

Noncompliance material to financial statements noted?

Yes

No

Federal Awards

Type of auditor's report issued on compliance for major program:

Unmodified

Internal control over major program:

Material weakness(es) identified?

Yes

No

Significant deficiency(ies) identified?

Yes

None Reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Yes

No

Identification of major program:

AL Number

93.498

Name of Federal Program or Cluster

Provider Relief Funds

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

No

MORROW COUNTY HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2021

SECTION II - FINANCIAL STATEMENTS FINDINGS

2021-01 Accounts Payable Cutoff Procedures

Criteria or Specific Requirement: The process of performing cutoff procedures around accounts payable is an integral part of ensuring liabilities are reported accurately.

Condition and Cause: During the process of testing accounts payable, we noted that the procedures performed to ensure that accurate period end liabilities were recorded failed to capture and accrue certain invoices at year end.

Effect: Adjustments were required to the accrued expenses general ledger account balance after year end closing.

Recommendation: We recommend that management expand their cutoff procedures to ensure that invoices received after yearend are accrued as a liability.

Corrective Action Taken or Planned: This is a known issue by management caused by inadequate staffing. Management is in the process of taking corrective action subsequent to the December 31, 2021 audit date to increase staffing to ensure processes are properly maintained.

2021-02 Accrued Payroll Segregation of Duties

Criteria or Specific Requirement: Accrued payroll calculation should be prepared by a staff accountant and reviewed by the controller at year end.

Condition and Cause: During the process of testing accrued payroll, we noted that accrue payroll was not properly calculated at yearend. The calculation was prepared by the controller and was not reviewed by an independent manager.

Effect: Adjustments were required to the accrued payroll general ledger account balance after year end closing due to an error in the accrued payroll calculation.

Recommendation: We recommend that management implement procedures to ensure segregation of duties over the accrued payroll liability calculation.

Corrective Action Taken or Planned: This is a known issue by management caused by inadequate staffing. Management is in the process of taking corrective action subsequent to the December 31, 2021 audit date to increase staffing to ensure segregation of duties are properly maintained.

MORROW COUNTY HOSPITAL AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-003

Programs: Provider Relief Funds

CFDA Number: 93.498

Federal Agencies: U.S. Department of Health and Human Services

Passed-Through Entities: N/A

Award Number: N/A

Award Year: Various

Compliance Requirement: Reporting

Questioned Costs: None

Criteria: As required by the Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements, issued on June 11, 2021; when referring to revenues from patient care for the purposes of the calculation of lost revenues attributable to COVID-19 patient care was defined as: ““Patient care” means health care, services, and supports, as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail, or real estate revenues (exception for nursing and assisted living facilities’ real estate revenues where resident fees are allowable); prescription sales revenues (exception when derived through the 340B program); grants or tuition; contractual adjustments from all third-party payors; charity care adjustments; bad debt; and any gains and/or losses on investments.”

Condition and Context: Morrow County Hospital and Affiliates elected to use the Lost Revenues Reporting Method of 2019 Actual Revenue. When preparing the calculation, Morrow County Hospital and Affiliates used gross revenue and excluded contractual adjustments, charity care adjustments, and bad debt expense.

Cause: Morrow County Hospital and Affiliates had misinterpreted the reporting guidelines and did not have adequate internal controls to detect the misreporting.

Effect: Morrow County Hospital and Affiliates was not in compliance with the reporting requirements for the Provider Relief Funds. Lost revenue was overstated when reporting for the Provider Relief Funds. Morrow County Hospital and Affiliates does have sufficient expenditures and compliant lost revenues to recognize all funding received in the reporting period.

Recommendation: It is recommended that Morrow County Hospital and Affiliates review their policies and procedures and implement additional policies to ensure that the most recent guidelines are reviewed, understood, and complied with when reporting.

View of Responsible Officials: Morrow County Hospital and Affiliates agrees with the finding.

MORROW COUNTY HOSPITAL AND AFFILIATES

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
Year Ended December 31, 2021

None reported.



June 29, 2022

Corrective Action Plan for Morrow County Hospital and Affiliates (the Hospital) Single Audit Report for the fiscal year ended December 31, 2021 as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding 2021-003:

Section III – Findings and Questioned Costs Relating to Federal Awards

A significant deficiency in Internal Control over Major Programs and audit finding disclosed in accordance with Section 2 CFR 200.516(a).

Criteria: As required by the Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements, issued on June 11, 2021; when referring to revenues from patient care for the purposes of the calculation of lost revenues attributable to COVID-19 patient care was defined as: “Patient care” means health care, services, and supports, as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail, or real estate revenues (exception for nursing and assisted living facilities’ real estate revenues where resident fees are allowable); prescription sales revenues (exception when derived through the 340B program); grants or tuition; contractual adjustments from all third-party payors; charity care adjustments; bad debt; and any gains and/or losses on investments.”

Effect: Morrow County Hospital and Affiliates was not in compliance with the reporting requirements for the Provider Relief Funds. Lost revenue was overstated when reporting for the Provider Relief Funds. Morrow County Hospital and Affiliates does have sufficient expenditures and compliant lost revenues to recognize all funding received in the reporting period.

Cause: Morrow County Hospital and Affiliates had misinterpreted the reporting guidelines and did not have adequate internal controls to detect the misreporting.

Recommendation: It is recommended that Morrow County Hospital and Affiliates review their policies and procedures and implement additional policies to ensure that the most recent guidelines are reviewed, understood, and complied with when reporting.

Corrective Action Plan: Management is working on developing additional policies and procedures to ensure the most recent guidelines are reviewed, understood, and complied with when reporting.

Contact Person: Conni McChesney, Controller, 651 W. Marion Road, Mount Gilead, Ohio 43338

Signature

6/29/22

Date

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OHIO AUDITOR OF STATE KEITH FABER



MORROW COUNTY HOSPITAL AND AFFILIATES

MORROW COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/13/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov